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SUBJECT: CLARK SHAKES UP CABINET, HOPES TO REFRESH PARTY FACE

¶1. (SBU) Summary. Prime Minister Helen Clark announced a reshuffle of her Cabinet on October 31. While the foreign, defence and trade portfolios remain unchanged, Clark has elevated several newcomers to important ministerial portfolios. Many observers see this reshuffle as Clark's last chance to rejuvenate her party before next year's election. The opposition National Party has criticized the reshuffle as mere window dressing which essentially left the same people calling the shots. The announcement avoided any major changes and is unlikely to boost Labour's weak standing the opinion polls. End Summary.

Main External Portfolios Remain the Same

¶2. (SBU) Clark has decided not to alter her government's main external (Defense, Foreign Affairs, Trade) portfolios. New Zealand First Party Minister Winston Peters remains as Foreign Minister and Phil Goff retains his Defence, Trade and Trade Negotiations portfolios. Goff does, however, hand-off Pacific Island Affairs to Winnie Laban, a former State Department International Visitor (IV) of Samoan descent and potential future star. This provides Goff (who is often touted as the next leader of the Labour Party) an important domestic portfolio and rewards Laban, who has served her apprenticeship Associate Minister with distinction. Deputy Prime Minister Dr. Michael Cullen stays as Finance Minister, but takes on the responsibility for Treaty of Waitangi Negotiations, an often complex and fraught portfolio dealing with the Government's historical reparations with Maori.

Clark Looks to Proven Performers

¶3. (SBU) Clark has called on two of her most accomplished Cabinet performers to replace much maligned ministers and bring order their two important, yet problematic portfolios. Phil Goff takes on Damien O'Connor's troubled Corrections portfolio. Annette King retains the Transport and Police portfolios and picks up the hefty Justice portfolio from the embattled Mark Burton, whose tenure as Justice Minister was widely panned by political watchers.

Newcomers to Labour's Front Bench

¶4. (SBU) There were two newcomers to the front bench. Rising star David Cunliffe, a former New Zealand diplomat, was elevated to the front bench and given responsibility for Health, one of the biggest and most sensitive domestic portfolios. By giving Cunliffe such a politically sensitive social portfolio in the lead-up to an election, Clark demonstrated how much confidence she has in him. In an unexpected move, Chris Carter joins Cunliffe as the other new entrant on the Front Bench. Carter takes over from the retiring Steve Maharay as the Minister of Education.

Prominent Minister Demotion After Fracas

15. (SBU) As expected, Clark demoted the controversial Trevor Mallard from the Front Bench and took away most of his existing portfolios after he punched an opposition National MP the previous week. The long-serving Mallard will now reside in the second tier of the bench. However, he does pick up some new and not insignificant ministries - Environment, Labour and Broadcasting - and retains his State-Owned Enterprises and Associate Finance portfolio. It remains unclear whether this is a permanent demotion or merely a period of penance.

16. (SBU) The other main movers in the reshuffle include Clayton Cosgrove, another recent IV, into the Immigration portfolio; Ruth Dyson who takes charge of the Ministry of Social Development (read Social Welfare); David Parker adds State Services (which has oversight for the bureaucracy) to his responsibilities for New Zealand's Climate Change Strategy and Energy portfolio, and 28-year-old Darren Hughes as the Minister of Statistics - albeit outside of Cabinet - and the Deputy Leader of the House.

Cabinet New Entrants

17. (SBU) There are three newcomers to Cabinet. It is uncommon for MPs to make it straight into Cabinet in their first term in parliament. However, the highly regarded Shane Jones and Maryan Street now have the chance to demonstrate the potential that many see in them. Jones, a Maori MP who some regard as future leadership material, takes on the role of Minister for Building and Construction, as well as associate roles in Treaty Negotiations, Immigration and Trade. Street, a former Labour Party President, takes up weighty roles as Minister for Accident Compensation Corporation (ACC) and Housing, and also holds associate roles in economic development, tertiary education. Steve Chadwick rounds off

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the Cabinet freshmen. Although Steve has two terms under her belt, she has long been thought of as future Cabinet material. She now takes up roles as Minister of Conservation, Women's Affairs, and Associate Health.

Opposition Party Labels Reshuffle a Failure

18. (SBU) The Opposition National Party was quick to criticize the reshuffle as a "failure in leadership" and lacking in the new faces Clark promised. National leader John Key claimed that Clark failed the leadership test by rewarding Trevor Mallard instead of punishing him for his behavior in Parliament. Key regarded Mallard's influential new responsibilities and retention of his State-Owned Enterprises and Associate Finance roles as a promotion rather than a demotion. Key also called the reshuffle "a lame exercise in recycling, not renewal." He noted that "the same people are still in charge - Helen Clark and Michael Cullen. They are the same tired old faces singing the same tired old songs." As the election approaches, Key will be banking on the new Cabinet needing time to master their portfolios and therefore unable to impress the electorate.

19. (SBU) Comment. PM Clark faced two challenges in this prelude to her fight for a fourth term: to refresh a tired Cabinet and replace ministers who had stumbled badly. An initial survey suggests that Clark has met the second challenge. Moving safe and competent hands such as Goff and King to oversee the two pressing problem areas of Corrections and Justice is a prudent move. Elevating the highly-regarded Cunliffe, Cosgrove, Hughes, Jones and Street, while expected, should help to provide the freshness and sound management that only talented newcomers can provide. However, Labour's pool of talent is not very deep. Many of the same faces remain and most of the changes have been lateral instead of vertical. It is unclear if the changes will provide the polling boost to Labour that Clark clearly would like to see. End Comment.

McCormick